



Testimony of AARP Connecticut in **SUPPORT** of SB 989, *An Act Concerning Nursing Homes*
Aging and Human Services Joint Public Hearing
February 16, 2023

Senator Hochadel, Senator Lesser, Representative Garibay, Representative Gilchrest, Ranking Members, and Members of the Aging and Human Services Committees:

AARP is a nonpartisan, nonprofit organization with nearly 38 million members nationwide and nearly 600,000 here in Connecticut. We appreciate the opportunity to testify today in support of SB 989, *An Act Concerning Nursing Homes*. While we support the entirety of the bill, we would like to focus our written remarks on the sections of the bill that relate to financial transparency and staffing.

Connecticut's nursing homes are in a state of crisis. As numerous people – both supporters and opponents of the bill – have mentioned in their testimony, perpetual understaffing in recent years has been devastating to both residents and workers. AARP Connecticut has heard stories of residents sitting in soiled diapers for hours at a time because staff were not available to change them. Residents have developed horrible pressure sores, fallen when trying to get themselves out of bed, and gone weeks without showers. Staff are traumatized and exhausted. It is clear from the testimony submitted today that no one thinks this is acceptable. We must do better, and these improvements have to start with how we hold nursing homes accountable for how they spend their money.

We will not be able to improve the quality of care in nursing homes until we first address the financial practices that some nursing home owners use to divert money from patient care in order to make their facilities more profitable.

Many nursing homes, including a majority of the ones that submitted testimony for today's hearing¹, operate under complicated ownership structures that limit financial transparency and make it difficult to understand how facilities are spending billions of dollars in state and federal taxpayer money each year. Nearly 75% of nursing homes regularly use related-party transactions² to provide services such as property management, nursing and therapy services, consulting, and pharmacy services. "Related parties" are businesses owned by the nursing home owner or someone close to the owner that provide goods or services to the facility. Because of related-party transactions, a nursing home may appear to operate at a loss while its owner is enjoying profits from one or more of the related companies that transact with the facility.

Related-party transactions create opportunities to divert payment away from resident care, and some owners use them "to legally pull money out of the nursing homes as expenses and hide the profits."³ Even though this practice is legal and widespread, "nursing homes that outsource to related organizations tend to have significant shortcomings: They have fewer nurses and aides per patient, they have higher rates of patient injuries and unsafe practices, and they are

¹ For example, at the time of writing, 25 of the 33 pieces of testimony submitted in opposition to SB 989 came from facilities tied to just four parent companies: Ark Healthcare and Rehabilitation, Wachusett Ventures, National Health Care Associates, and Regal Care.

² <https://www.healthaffairs.org/doi/10.1377/forefront.20210208.597573/>

³ *ibid*

the subject of complaints almost twice as often as independent homes.”⁴ Section 8 of SB 989 would require facilities to report all related-party transactions, a change to the current reporting threshold of \$50,000.

As long as facilities are allowed to operate under complex ownership structures that limit transparency, it will be difficult to know the true profit margins of nursing homes and, therefore, how real the need may be to invest additional taxpayer money into the industry. This is especially relevant at a time when private equity ownership in nursing homes is increasing and currently represents an estimate 5% - 11% of nursing home ownership nationwide.⁵ It is important for the state to learn more about the current level of private equity investment in the industry, as proposed in Section 7 of SB 989, because private equity ownership of facilities is tied to:

- An 11% increase in preventable emergency department visits and an 8.7% increase in preventable hospitalizations⁶
- A 50% increase in the prescription of antipsychotic drugs for residents
- An 11% increase in taxpayer spending
- And a 10% increase in excess mortality⁷

“Transparency and accountability are inextricably linked. Without ensuring that nursing home ownership is more transparent, accountability cannot be fixed.”⁸

AARP Connecticut also supports an increase in staffing levels to 4.1 hours of care per resident per day, as this is the amount of care that the Centers for Medicare and Medicaid Services (CMS) identified as the minimum necessary to ensure adequate care.⁹ We are sympathetic to the current challenges that nursing homes, and the healthcare industry in general, are facing when it comes to recruiting and retaining staff. These challenges are real, and we know that there are no easy solutions to the problem. Despite these challenges, it is important to require staffing levels that most appropriately support the health and safety of residents, as well as the workers who care for them.

Nursing homes are a critical part of Connecticut’s long-term care continuum, and we are fortunate to have some very good nursing homes in our state. We have some owners who are in this business for the right reasons, staff who care deeply about their work, and facilities that provide residents with safe and caring communities. But some is not enough. There are some nursing home owners – again, certainly not all – who treat their nursing homes and the residents who live there as investment opportunities instead of human beings who deserve to live in comfort and dignity. We need to improve financial transparency so that we can better identify and remedy any business practices that allow profits to come before people.

Thank you for the opportunity to speak in support of SB 989.

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⁴ <https://khn.org/news/care-suffers-as-more-nursing-homes-feed-money-into-corporate-webs/>

⁵ <https://khn.org/news/article/private-equity-ownership-of-nursing-homes-triggers-federal-probe/>

⁶ <https://jamanetwork.com/journals/jama-health-forum/fullarticle/2786442>

⁷ https://www.nber.org/system/files/working_papers/w28474/w28474.pdf (for bullet points 2-4)

⁸ <https://healthfinancejournal.com/index.php/johcf/article/view/12>

⁹ <https://theconsumervoice.org/uploads/files/issues/CMS-Staffing-Study-Phase-II.pdf>